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C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 000518

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SUBJECT: EXCESS BAGGAGE: FOREIGN POLICY AND DOMESTIC
POLITICS

REF: BUDAPEST 506

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

11. (C) Summary: Foreign policy issues are playing an increasingly prominent role in Hungary's political discourse, with key questions highlighted by energy security challenging domestic issues for attention. The opposition is dedicating significant time, attention, and effort to its attacks on the Gyurcsany government's foreign policy, where the Prime Minister has done himself few favors of late with his statements, his policy moves, or his personnel decisions. There is a clear risk of drift toward Moscow, and we will need to continue our aggressive engagement to change the government's positions ... and give them the opportunity to change our perception. End Summary.

MORE INTEREST; LESS SUPPORT?

12. (C) Recent visits by EUR DAS Bryza (septel) and Brigadier General O'Reilly of the National Missile Defense Agency (REFTEL) drew significant interest in Hungary, aided by the energetic efforts of the opposition to challenge the Gyurcsany government's constantly shifting position on the vital issues of energy security and missile defense. For FIDESZ, the benefits are obvious: with the convergence plan making slow progress and the opposition's legal challenges months away from a public referendum, opening yet another front in its campaign against Gyurcsany helps maintain their political momentum. By spotlighting Gyurcsany's recent trip to Moscow and his mixed (at best) public statements, FIDESZ is seeking to restore its own trans-Atlantic credentials as it neatly complements their consistent attacks on Gyurcsany as a "Communist kleptocrat."

13. (C) The Prime Minister has done little to dispell the perception of drift toward Moscow. Even high-level officials at the MFA and elsewhere continue to indicate the decisions regarding energy security will be made by the Prime Minister, who has never been more than neutral in his statements regarding Blue Stream and Nabucco. Our colleagues in the diplomatic community regard Hungary with mistrust, and even political allies and personal friends, including SZDSZ parliamentarian Matyas Eorsi, have taken the PM to task publicly for a naive faith in a "special" relationship with Moscow. Eorsi has also confronted the PM privately, but confided to us his continuing frustration with Gyurcsany's insistence on "going to Moscow - and Sochi - and saying stupid things." By contrast, Eorsi continued, the government continues to talk about the EU "as if we're not a member."

REAPING AS IT SOWS

14. (C) Pal Dunay, newly appointed head of the MFA-affiliated Foreign Policy Institute, believes the current situation is the logical result - if not the intended outcome - of the

PM's staffing decisions. By choosing Kinga Goncz to "receive on-the-job-training as Foreign Minister," Dunay suggests, "Gyurcsany is getting what he wants: a foreign policy run out of the Prime Minister's Office." Though a participant in the ongoing effort to develop Hungary's new foreign policy strategy, Dunay believes the government is "focusing on the questions no one will ever ask."

15. (C) Change may come, but it will likely come slowly. Surveying the field after Minister of Economy Koka's victory as SZDSZ party president, most observers believe the MFA will not be included in a cabinet reshuffle in the near-term. "Goncz is expendable," concludes Dunay, "and Gyurcsany will fire her whenever it best suits his political needs."

16. (C) For the time being, the government appears to be giving priority to reorganizing its communications operation. The PMO has added several more "strategic advisors" to the payroll even as the search continues for a new spokesperson following their candidate's decision to withdraw in the face of attacks by the opposition for her husband's alleged ties to organized crime. An ad seriatim approach would be consistent with Gyurcsany's evident preference for making adjustments constantly but major changes only gradually. The focus on communication, meanwhile, risks playing into the opposition's hands by seemingly confirming their allegation that Gyurcsany is more concerned with appearances than reality and that he is prepared to "use tax dollars to spread lies."

MIND THE GAP

17. (C) For its part, FIDESZ is working to exploit perceived gaps between the Gyurcsany government and key Allies, hoping

BUDAPEST 00000518 002 OF 002

to help rehabilitate its own international standing in the process. Orban and key party leaders have worked the energy security issue aggressively - so aggressively that Orban has apparently been warned by MOL officials not to go too far. FIDESZ's script calls for more diversification, less dependence, and stronger association with the EU position, and their rising stars are putting time and effort into mastering the substance of the issue. At the same time, they have been careful to emphasize their support for Hungary's PRT in Afghanistan ... while keeping a close eye on the government's record on civil reconstruction.

ADRIFT IN A LAND-LOCKED COUNTRY?

18. (C) Comment: Whatever the government's intentions, there is clearly a heightened risk of Gyurcsany's gravitation toward Moscow. On both energy security and missile defense, we have seen mixed signals and mixed messages from the Prime Minister. With V-4 solidarity largely a memory and his political idol Tony Blair soon to leave office, Gyurcsany may feel his moorings coming loose. FIDESZ officials are eager to charge that Moscow has offered the PM easy money - including through Russia's alleged support for the forint. On Blue Stream and other issues, we see them offering him the illusion of easy solutions. In response we can only offer cold, hard truth. Continued high-level engagement will help address the risk of his drift to the east, and we will make every effort to answer his questions ... and get him to act in order to address our concerns. End Comment.

FOLEY